HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK

Windsor CMA

Canada Mortgage and Housing Corporation

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New Home Market

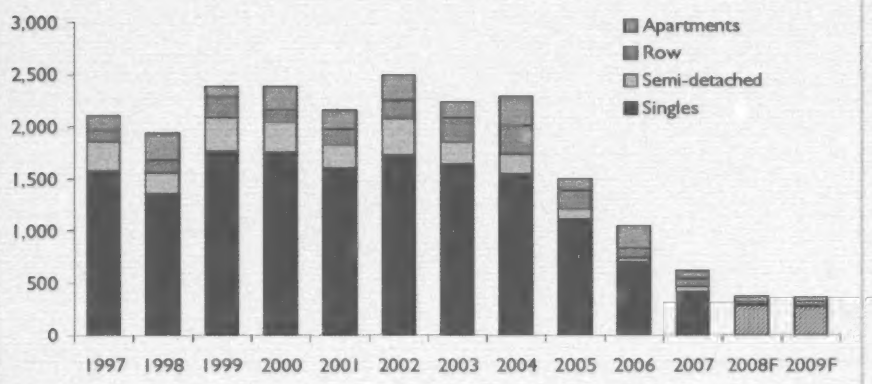
Lower Demand for All Housing Types

In 2008, new home construction in the Windsor Census Metropolitan Area (CMA) will drop to its lowest level since 1984. Total home starts will fall to about 400 units, down nearly 40 per cent from 2007. Demand for all dwelling types will be weaker. Construction will begin on a total of 280 single-detached homes in 2008, a drop of 38 per cent from 2007. A weak job market, high new home prices and greater choice in the resale home market will combine to weaken demand for new homes in 2008 and 2009.

The average price of a new home in the Windsor CMA will continue to be well above the cost of the average

Figure 1

Housing Starts Will Fall



Source: CMHC forecast

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resale home. The New House Price Index, which monitors the price changes of similar houses (both in terms of construction and lots), has remained basically flat in the Windsor CMA while the average price of a newly constructed single-detached house in the Windsor CMA has risen by more than 22 per cent in the last two years. This implies that new construction has been concentrated on satisfying buyers willing and able to spend more for additional quality. Niche markets such as those targeting the top end of the market (above $300,000) will still be active and pull the average price up to $315,000 in 2008.

The supply of single-detached homes completed and not yet sold has stabilized after jumping in late 2006. Many homebuilders were forced to carry high inventories of unsold housing in the mid 1990s. These inventories reached as high as 165 houses in some months in the Windsor CMA and consequently, builders kept a tight rein on inventories in the coming years. However, by the first quarter of 2008, inventories of homes completed and not yet sold were steady around 58 houses, a level which will ease pressures but does not represent a glut.

Rental construction will be minimal since the rental apartment vacancy rate in Windsor is the highest in the country. Condominium starts will also be limited due to negligible demand due to competition from the resale market. A stronger Canadian dollar has lessened some of the demand from Americans for upper-end apartment condominium units in Windsor built along the river. Developers are now delaying completion of units currently under construction until they are sold and offering purchasing incentives.

Resale Home Market

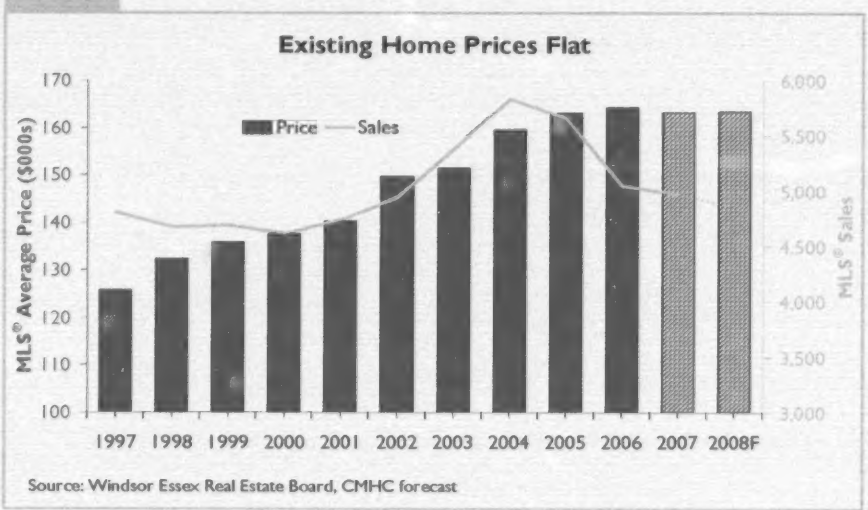
Resale to Cool in 2008

The resale home market in Windsor-Essex, which peaked in 2005, will continue to slow in 2008 and 2009. Sales through the Windsor-Essex Real Estate Board will soften a further three per cent to 4,850 units. Historically low mortgage rates and lower prices will keep the resale market from falling further. The Windsor CMA is considered one of the more affordable homeownership markets in any major metropolitan market in southern Ontario. The ratio of required income[1] needed to carry the mortgage[2] on an average priced home to actual household income received on average by homeowners in the Windsor CMA is well below that of neighbouring communities. As seen in Figure 3 this ratio has been relatively stable in the Windsor area for a number of years.

New listings, a measure of supply, will remain high. Slightly fewer homes will be listed for sale in 2008 at 11,500 down less than two per cent from 2007. The supply of new listings peaked in 2006. Many homeowners were encouraged to put their homes up for sale in a housing market environment which saw prices rising above inflation.

Market tightness is measured by the sales to new listings ratio (SNLR)[3]. The SNLR has been trending lower

Figure 2



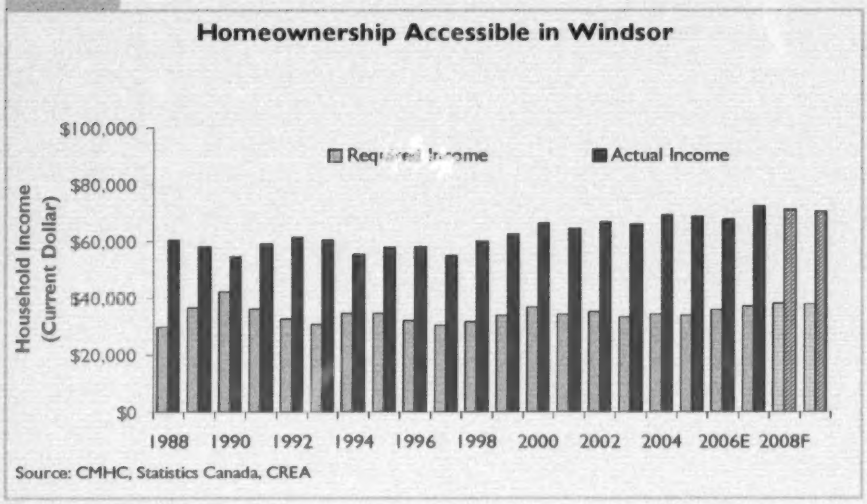
Source: Windsor Essex Real Estate Board, CMHC forecast

[1] Required income is mortgage carrying costs divided by 0.32 to reflect the usual 32 per cent gross debt service ratio.

[2] Based on a 25 per cent down payment, the average of all lenders' posted fixed five-year mortgage rates, 25 year amortization.

[3] In Windsor-Essex a buyers' market is associated with a SNLR below 45 per cent, while a ratio between 45 and 55 per cent indicates a balanced market. In a buyers' market, prices are falling while in a balanced market, they are rising in line with inflation.

Figure 3



after peaking in 2002 and with supply outpacing demand in 2008, the SNLR will be on average less than 44 per cent. The Windsor-Essex resale market is expected to favour buyers into 2008. As a result of the loosening of the market in the last few years, the average sale price will decline. The average price of a resale home dropped one per cent to $163,215 in 2007 and is expected to remain flat at $163,500 in 2008 and drop a further $1,000 in 2009.

The average rental apartment vacancy rate in Windsor was 12.8 per cent in October 2007 and is expected to remain high in 2008. Contributing to the high vacancy rate are several factors such as higher unemployment among youth, out-migration in search of employment, and competition from homeownership. The average two bedroom apartment rent is forecast to reach $775 in October 2008, only nine per cent below the carrying cost of the average MLS house in the Windsor-Essex area.

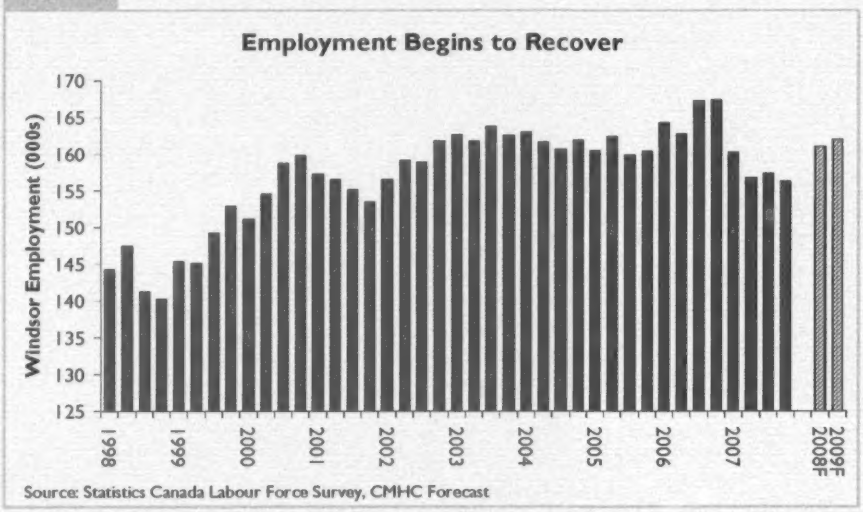
Economic Trends

Slower Job Growth

Employment is a key factor supporting housing demand. In 2008 employment in the Windsor CMA is forecast to increase just under two per cent to 161,000. A further 1,000 jobs will be created in 2009 as construction of the $1.2 billion second border crossing gets underway. Most of the pain of job losses was felt in 2007 as the local area shed over 7,000 jobs. Ongoing weakness in the U.S. and the high Canadian dollar continue to negatively impact manufacturing and tourism. In turn this has had a detrimental affect on local consumer confidence where consumer bankruptcies recently peaked in November 2007 for the past 20 years.

The economy is shifting from its old manufacturing base to a more diversified knowledge base but this will take some time. Recent federal budget allocations of $315 million for university automotive research and innovation will benefit the Windsor area. Several sectors including retail trade, health care and social assistance, and the educational services sector have started to show some recovery.

Figure 4



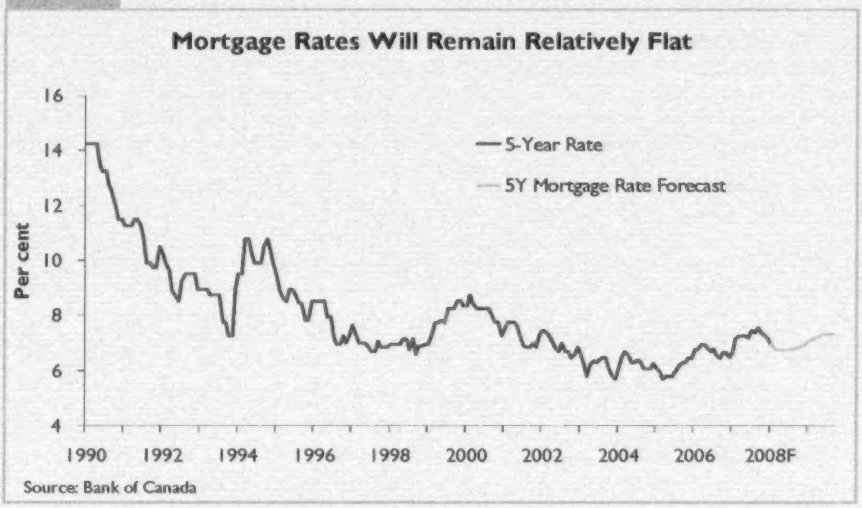
On a positive note, the Windsor area was ranked as North America's leading small City of the Future. (Small cities were defined as having populations between 101,000 and 500,000). Windsor scored fourth as the city with the best economic potential. In the mid-term (i.e., 18-24 months) the service and tourism sectors will begin to recover as the new hotel, convention centre and performance auditorium are fully booked. Reopening of the Ford Essex plant means the investment of $170 million and the retraining of nearly 600 laid-off workers. The revamped plant will produce parts and eventually a new engine and go along way in stemming the sliding consumer sentiment in the area.

Net migration to the Windsor CMA has recently bottomed out in 2006 with a loss of 1,500 people leaving as the economy weakened and the unemployment rate began to climb. Net migration is expected to reach 400 persons in 2008 and 700 persons in 2009 based on steady levels of international migrants and less interprovincial movement from the Windsor area.

Mortgage Rates Will Remain Relatively Flat

Posted mortgage rates eased by about 50 basis points in the first four months of this year, although rates in late April were 30 to 35 basis points higher than they were 12 months prior. Mortgage rates are expected to trend marginally lower throughout 2008, but will be within 25-50 basis points of their current levels. For 2009, posted mortgage rates will begin to drift up slightly as the year progresses. For 2008 and 2009, the one-year posted mortgage rate is forecast to be in the 6.50-7.50 per cent range, while three and five-year posted mortgage rates are forecast to be in the 6.75-7.50 per cent range.

Figure 5



Forecast Summary Windsor CMA Spring 2008							
	2005	2006	2007	2008f	% chg	2009f	% chg
Resale Market							
MLS® Sales	5,661	5,047	4,987	4,850	-2.7	4,800	-1.0
MLS® New Listings	11,297	11,802	11,718	11,500	-1.9		n/a
MLS® Average Price ($)	163,001	164,123	163,215	163,500	0.2	162,500	-0.6
New Home Market							
Starts:							
Single-Detached	1,110	692	417	280	-32.9	270	-3.6
Multiples	386	353	197	88	-55.3	90	2.3
Semi-Detached	96	50	48	18	-62.5	24	33.3
Row/Townhouse	182	90	83	30	-63.9	28	-6.7
Apartments	108	213	66	40	-39.4	38	-5.0
Starts - Total	1,496	1,045	614	368	-40.1	360	-2.2
Average Price ($):							
Single-Detached	234,959	252,302	285,819	315,000	10.2		n/a
Median Price ($):							
Single-Detached	189,900	210,470	259,000	280,000	8.1		n/a
New Housing Price Index (% chg.)	2.9	-0.1	-2.1	-2.0	-	0.5	-
Rental Market							
October Vacancy Rate (%)	10.3	10.4	12.8	11.5	-1.3	8.8	-2.7
Two-bedroom Average Rent (October) ($)	780	774	773	773	-	780	-
Economic Overview							
Mortgage Rate (1 year) (%)	5.80	6.30	7.35	6.95	-0.4	6.83	-0.1
Mortgage Rate (5 year) (%)	6.30	6.45	7.54	7.01	-0.5	6.97	0.0
Annual Employment Level	161,300	165,100	158,400	160,500	1.3	161,500	0.6
Employment Growth (%)	-0.4	2.4	-4.1	1.3	-	0.6	-
Unemployment rate (%)	7.9	9.0	9.3	8.9	-	8.9	-
Net Migration [1]	-1,199	-1,499	-1,000	400	-	700	-

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Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over
(1) 2007 migration data is forecasted

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